

Message Text

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SUBJECT: GOB DECREE ON TELECOMMUNICATIONS POLICY

1. MINISTER OF COMMUNICATIONS QUANDT DE OLIVEIRA SIGNED A DECREE ON JUNE 23 THAT HAS AS ITS PRIMARY OBJECTIVE THE DEVELOPMENT OF A NATIONAL POLICY TO GOVERN THE TELECOMMUNICATIONS INDUSTRY. QUANDT REPORTEDLY SAID AT THE SIGNING THAT THE DECREE IS BASED ON THE CONCEPT THAT ANY COUNTRY THAT WISHES TO MAKE INDEPENDENT DECISIONS IN THE TELECOMMUNICATIONS SECTOR, NEEDS TO HAVE THE CENTRAL CONTROL OF THAT INDUSTRY LOCATED WITHIN THE COUNTRY.

2. THE DECREE ATTEMPTS TO ALLOCATE THE PURCHASE OF TELECOMMUNICATIONS EQUIPMENT AND TO ESTABLISH AND CONSOLIDATE BRAZILIAN COMPANIES PRODUCING MATERIALS AND COMPONENT PARTS NECESSARY FOR THE PRODUCTION OF TELECOMMUNICATIONS SYSTEMS. FOLLOWING IS A LIST OF MAJOR ITEMS COVERED BY THE DECREE:

(A) A PRFERENTIAL TELECOMMUNICATIONS MODEL WILL BE CHOSEN WHICH HAS THE TECHNICAL CHARACTERISTICS AND USES THE COMPONENT PARTS ESTABLISHED BY TELEBRAS. CHOOSING A UNCLASSIFIED

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PREFERENTIAL MODEL WILL REQUIRE NEGOTIATIONS, BETWEEN BRAZILIAN ENTERPRISES ENGAGED IN THE PRODUCTION OF TELECOMMUNICATION EQUIPMENT, AIMED AT TRANSFERRING ALL PRODUCTION RIGHTS TO TELEBRAS. THESE RIGHTS WILL EVENTUALLY BE TRANSFERRED BACK TO BRAZILIAN ENTERPRISES.

(B) MARKET INCENTIVES WILL BE AWARDED TO LOCAL

INDUSTRY FOR THE PRODUCTION OF "PREFERRED EQUIPMENT".
IF SUCH EQUIPMENT IS PRODUCED BY A FOREIGN COMPANY, THAT
COMPANY WILL NOT BE ALLOWED TO TRANSFER ROYALTIES.

(C) COMPANIES ATTACHED TO THE MINISTRY OF
COMMUNICATIONS WILL HAVE THE RIGHT TO IMPORT
TELECOMMUNICATIONS EQUIPMENT ONLY IN THE ABSENCE OF A
NATIONAL SIMILAR.

(D) EQUIPMENT WHICH WILL REQUIRE LARGE INVESTMENTS
IN CAPITAL GOODS WILL BE PURCHASED THROUGH A PROCESS OF
DIVISION OF THE MARKET. THIS DIVISION OF MARKET
PROCESS IS TO BE PRECEDED BY STUDIES WHICH WILL ANALYZE
THE NEEDS OF THE TELECOMMUNICATION INDUSTRY AND WILL
SELECT SUPPLIERS. THESE STUDIES WILL BE REVIEWED
PERIODICALLY BASED ON CRITERIA ESTABLISHED BY THE
MINISTRY OF COMMUNICATIONS.

(E) THE TELEBRAS GROUP WILL BE RESPONSIBLE FOR
THEIR OWN DIVISION OF THE MARKET. THE PURCHASE OF
EQUIPMENT WILL BE LIMITED TO A MINIMUM OF TWO AND A MAXIMUM
OF FOUR SUPPLIERS TO INSURE AN ADEQUATE LEVEL OF COMPETITION.

(F) THOSE INDUSTRIES ATTACHED TO THE MINISTRY OF
COMMUNICATIONS WILL PURCHASE EQUIPMENT BASED ON THE
FOLLOWING CRITERIA: BRAZILIAN INDUSTRY PARTICIPATION IN
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THE MARKETING OF ALL EQUIPMENT; MARKET INCENTIVES TO
STIMULATE BRAZILIAN INDUSTRY PARTICIPATION IN THOSE SECTORS
OF THE MARKET WHERE THERE IS NO LOCAL INDUSTRY PARTICIPATION;
HIGHER LEVEL OF BRAZILIAN CAPITAL INVESTMENTS IN THE
INDUSTRY; DEVELOPMENT OF THE TECHNICAL EXPERTISE NECESSARY
TO START MAJOR TELECOMMUNICATION PROJECTS.
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